

Approved January 31, 1989
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at
Chairperson

3:30 a.m. on January 17, 1989 in room 531-n of the Capitol.

All members were present except:

Representative Hoy, absent
Representative Wells, excused

Committee staff present: Chris Courtwright, Research Department
Bill Edds, Revisor of Statutes
Patti Kruggel, Committee Secretary

Conferees appearing before the committee:

Dick Brock, Kansas Insurance Department
Jack Roberts, Blue Cross and Blue Shield of Kansas
Lee Wright, Farmer Group Insurance
Jim Hall, Security Benefit Group
Jerry Banaka, Kansas Farm Bureau Life
Candy Sorricks, Kansas Farm Bureau Life
William L. Mitchell, Alliance Insurance Companies
Jeff Ellis, HMO Association
Cheryl Dillard, Kaiser Permanente
Bill Curtis, Kansas Association of School Boards

The meeting was called to order by the Chairman.

The Chairman introduced the members and staff and asked them to give a brief summary of themselves. The others present (Attachment 1) then rose to introduce themselves and name the organization or association they represent.

Dick Brock of the Kansas Insurance Department, told the Committee that his office is always open and welcomes any request for information.

The Chairman announced that the Committee upholds the written testimony rule and requests that anyone appearing before the Committee submit enough copies of their testimony at the time or prior to testifying. He then asked those persons who wished to have bills introduced to present them at this time.

Jerry Banaka, Kansas Farm Bureau, requested introduction of a bill (Attachment 2) to amend the Insurance Company Investment Code allowing insurance companies to write covered call options on U.S. Government Obligations.

Representative Sawyer made a motion that the Committee introduce the bill. Representative Brown seconded. The motion carried.

Jim Hall, Security Benefit Group appeared before the Committee to request the introduction of a bill (Attachment 3) which proposes to amend the statutes relating to Group Life Insurance; regarding the types of policies required.

It was moved by Representative Bryant that the proposal be introduced as a Committee bill. Representative Turnbaugh seconded. The motion carried.

Bill Curtis, Kansas Association of School Boards, asked the Committee to introduce a bill amending a section of the Kansas Municipal Group Fund Pool Act. (See Attachment 4.)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,
room 531-N Statehouse, at 3:30 ~~a~~^p.m. on January 17, 1989.

A motion was made to introduce the bill by Representative Campbell, seconded by Representative Gross. The motion carried.

Representative Brown requested that the Committee introduce a bill (Attachment 5) mandating coverage for services of licensed specialist clinical workers. Chairman Sprague asked whether Representative Brown wanted this bill introduced by request. Representative Brown did not feel it necessary.

A motion was made by Representative Cribbs, seconded by Representative Allen, to introduce the bill. The motion carried.

The Chairman announced that the next meeting of the Committee would be January 24, 1989, at 3:30 p.m.

The meeting was adjourned at 4:00 p.m.

**Kansas Farm Bureau Life Insurance Company, Inc.**

2321 Anderson Avenue, Manhattan, Kansas 66502 / (913) 537-2261

M E M O R A N D U M

TO: Representative Dale Sprague, Chairman
Members, House Insurance Committee

FROM: Jerry Banaka, Corporate Development Manager
Kansas Farm Bureau Life Insurance Company *JB*

SUBJ: Amendment of Investment Code To Authorize
Writing of Call Options on United States
Government Obligations

DATE: January 17, 1989

We appreciate the opportunity to appear before your committee today to respectfully request introduction of a bill to amend the Insurance Company Investment Code to allow insurance companies (both life and non-life) to write covered call options on U. S. Government Obligations.

The writing of these options would allow insurance companies to enhance the current income potential and establish a certain degree of price protection on these securities.

Attached are proposals to amend K.S.A. 40-2a01 and 40-2b01 to accomplish these statutory changes.

Thank you for the opportunity to appear before your committee.

ml
Att

INVESTMENTS BY OTHER THAN LIFE INSURANCE COMPANIES

40-2a01. United States government obligations. Any insurance company other than life heretofore or hereafter organized under any law of this state may invest with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in bonds or other evidences of indebtedness issued, assumed or guaranteed by the United States of America, or by any agency or instrumentality thereof. Such insurance company may write call options on government obligations permitted under this section which it owns. Call options may be purchased for the sole purpose of closing out a position taken previously with respect to one or more options having been written. The purchase of a call option for any reason other than as a closing transaction and the writing of naked (uncovered) call options are hereby prohibited.

Any United States government obligation owned by an insurance company obligated under an unexpired written call option shall be valued at the lesser of the striking price or value established in accordance with the method of valuation as prescribed by the commissioner of insurance for financial reporting purposes.

"Striking price" means the price per United States government obligation, exclusive of selling costs, the company would receive should the call option be exercised by the holder.

INVESTMENTS BY LIFE INSURANCE COMPANIES

40-2b01. United States government obligations. Any life insurance company heretofore or hereafter organized under any law of this state may invest by loans or otherwise, with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in bonds or other evidences of indebtedness issued, assumed or guaranteed by the United States of America, or by any agency or instrumentality thereof. Such life insurance company may write call options on government obligations permitted under this section which it owns. Call options may be purchased for the sole purpose of closing out a position taken previously with respect to one or more options having been written. The purchase of a call option for any reason other than as a closing transaction and the writing of naked (uncovered) call options are hereby prohibited.

Any United States government obligation owned by an insurance company obligated under an unexpired written call option shall be valued at the lesser of the striking price or value established in accordance with the method of valuation as prescribed by the commissioner of insurance for financial reporting purposes.

"Striking price" means the price per United States government obligation, exclusive of selling costs, the company would receive should the call option be exercised by the holder.

40-433. GROUP LIFE INSURANCE; TYPES OF POLICIES REQUIRED

(6) (B) The amounts of insurance shall be based upon some plan precluding individual selection either by the employees or by the policyholder, or employer and shall not exceed with respect to any spouse or child, 50% of the insurance on the life of such insured employee. ~~or \$4,000 whichever is less. In the case of a dependent whose age at death is under six months, the amount shall not be in excess of \$250.~~

Amend 12-2627

The board of trustees shall consist of not less than three nor more than 11 persons selected according to the bylaws of the pool

Most of the current members of the KASB Workers' Compensation Fund board are not familiar with insurance programs. As we add pools, they feel overwhelmed by the information and issues. Rather than create a new board for each pool, they would like to maintain one board and create subcommittees of 5 trustees. Then each subcommittee would report to the full board for ratification, thus eliminating the need for each board member to become intimately familiar with each pool. The analogy of the committee system within the Legislature would be appropriate.

MEMBERS COPY

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HOUSE BILL NO. _____

By Representative Brown

AN ACT relating to insurance; requiring reimbursement for services performed by licensed specialist clinical social workers under health and accident policies or contracts; amending K.S.A. 40-2,103 and 40-2,114 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 40-2,103 is hereby amended to read as follows: 40-2,103. The requirements of K.S.A. 40-2,100, 40-2,101, 40-2,102 and, 40-2,104 and 40-2,114 and amendments thereto shall apply to all insurance policies, subscriber contracts or certificates of insurance delivered, renewed or issued for delivery within or outside of this state or used within this state by or for an individual who resides or is employed in this state.

Sec. 2. K.S.A. 40-2,114 is hereby amended to read as follows: 40-2,114. Notwithstanding any provision of an individual or group policy or contract of health and accident insurance, delivered within the state, whenever such policy or contract shall provide for reimbursement for any service within the lawful scope of practice of a duly licensed specialist clinical social worker authorized to engage in private, independent practice under subsection (a) of K.S.A. 75-5353 and amendments thereto within the state of Kansas, the insured, or any other person covered by the policy or contract shall be allowed and entitled to reimbursement for such service, ~~unless subject-coverage-is-refused-in-writing-by-the-policy-holder,~~ irrespective of whether it was provided or performed by a duly licensed physician or a duly licensed social worker authorized to engage in private, independent practice under subsection (a) of

K.S.A. 75-5353 and amendments thereto.

Sec. 3. K.S.A. 40-2,103 and 40-2,114 are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.